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High oil prices a focus of meetings of world financial leaders

WASHINGTON (AP) — Concern that rising oil prices could harm the global economy dominated weekend meetings of world finance ministers and central bankers who gathered after Wall Street plunged to new lows for 2005.



Theirry Breton, France's finance minister, is among leaders attending the economic meeting in Washington to address rising oil prices.

By Lawrence Jackson, AP

There were intense talks about the energy situation at both the meetings of the Group of Seven major industrialized countries and the policy-making committee of the 184-nation International Monetary Fund on Saturday.

Oil was certain to be a chief concern during meetings Sunday of the World Bank's steering committee.

Statements by the G-7 — the United States, Britain, Canada, France, Germany, Italy and Japan — and by the IMF committee predicted global economic growth would remain robust in 2005, but at a slower pace.

Both statements said the continued rise in oil prices and oil market volatility posed a risk to economic growth

"I think we recognize the volatility of oil prices, and particularly the high level in recent months could have a damaging effect on growth," said Gordon Brown, Britain's finance minister and chairman of the IMF committee.

Both the G-7 and the IMF group welcomed efforts by producing countries to increase production and said all nations should try to conserve energy.

The increase in oil prices has stimulated growth in the Middle East, the World Bank said in a report.

"This time around countries are more prudent in use of oil revenues than they were in the early 1980s or mid 70s," a bank economist, Mustapha Nabli, said Sunday. "They are using revenue to retire debt or build up reserves instead of spending it."

On debt relief for the world's poorest nations, Brown said considerable progress was made and a consensus was growing. A final agreement is expected at a summit of world leaders in July.

The officials gathered a day after Wall Street experienced its worst session in two years. Investors, worried about oil prices and a softening economy, sent the Dow Jones industrials down 191 points.

U.N. Secretary-General Kofi Annan told global finance ministers at a dinner that efforts to boost resources for the world's poorest countries will have a better chance of success if they are linked to reforms he is pushing at the

United Nations.

The finance ministers said they agreed on canceling 100% of the debt for poor nations, but they did not resolve differences between competing plans from the United States, Britain and France.

A decision may come at the G-8 summit, which includes Russia, in Britain in July.

With police looking on, several hundred demonstrators called for debt relief for poor countries and efforts to reduce their infant mortality rates. They also criticized the selection of Paul Wolfowitz, deputy defense secretary and an architect of the U.S. invasion of Iraq, to head the World Bank. He takes over June 1 from James Wolfensohn.

The United States also used the G-7 meeting to round up support from its allies to put pressure on China to loosen up its currency. The ministers advocated "flexibility in exchange rates" — the phrase they have used before to prod China.

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